

Ferries Fuel Hedging Update

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Washington State Transportation Commission
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Background and Current Status

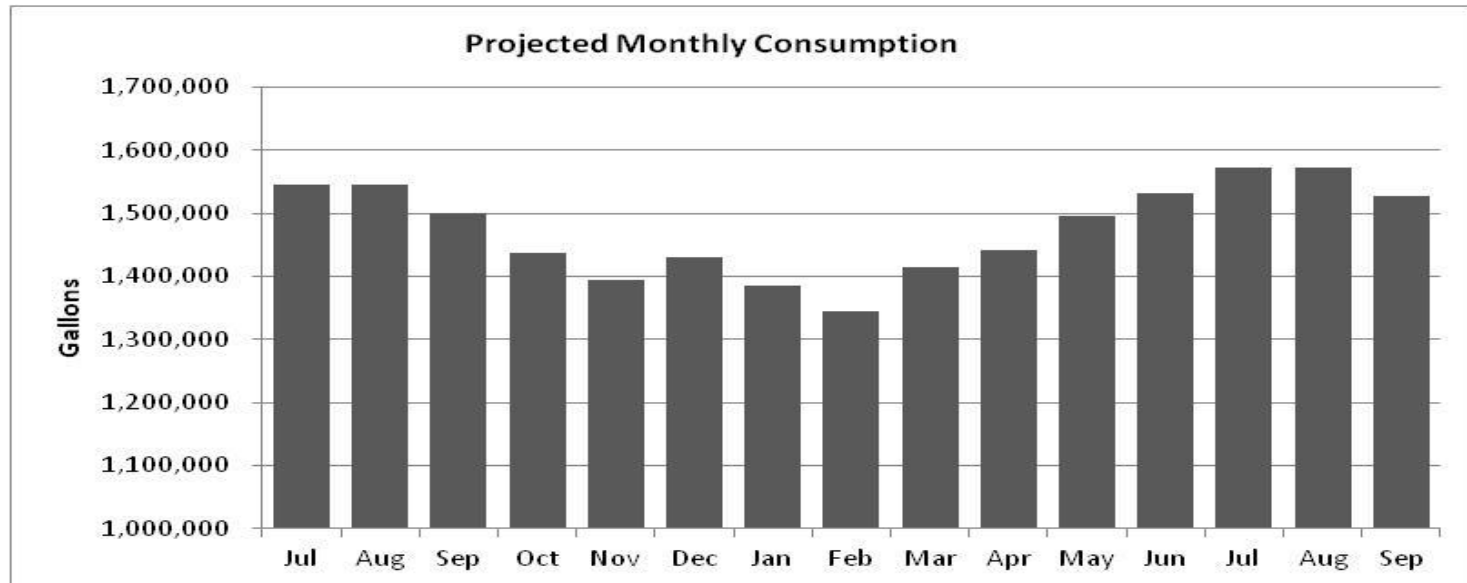
- Fuel hedging approval by Legislature in RCW 47.60.830
- Fuel Cost Mitigation Report, February 2011 update
 - Budgeting improvements
 - Fuel savings
 - Hedging 
 - Fuel Surcharge
- Legislative direction to evaluate cost savings and fuel price stabilization strategies before implementing a surcharge
- Legislative approval of hedging with WSF distributor in the FY2011-13 Transportation Budget Appropriation
- Hedging policy adopted, Hedging Committee established in July 2011

Key Policy Elements

- The purpose of hedging is to achieve budget stability, not necessarily savings
- Limits on length of contracts: Hedge no more than 95 percent of needs up to 12 months; no more than 80% in months 13 - 24
- Contracts no more than 24 months duration

Fuel Consumption

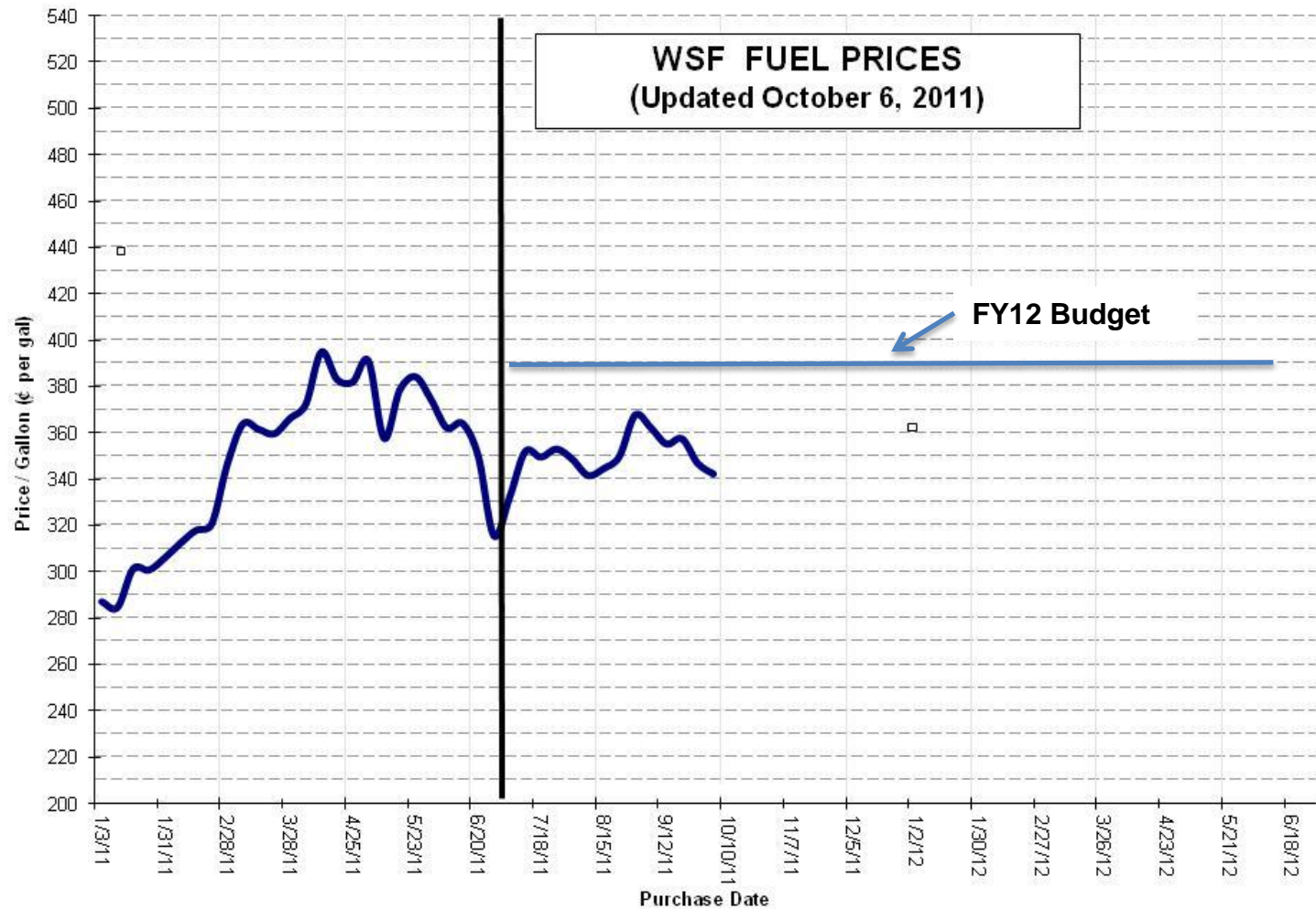
- Projected consumption in FY12 is 17.5 million gallons
- Consumption varies by month according to service schedule



Fuel Budget

- FY12 Fuel Budget = \$67.3 million
 - \$61.3 million for fuel
 - \$6 million for taxes and fees
- Budgeted Price:
 - Before taxes and fees, \$3.51/gallon
 - After taxes and fees, \$3.86/gallon
- Hedge transactions are executed at before-tax price

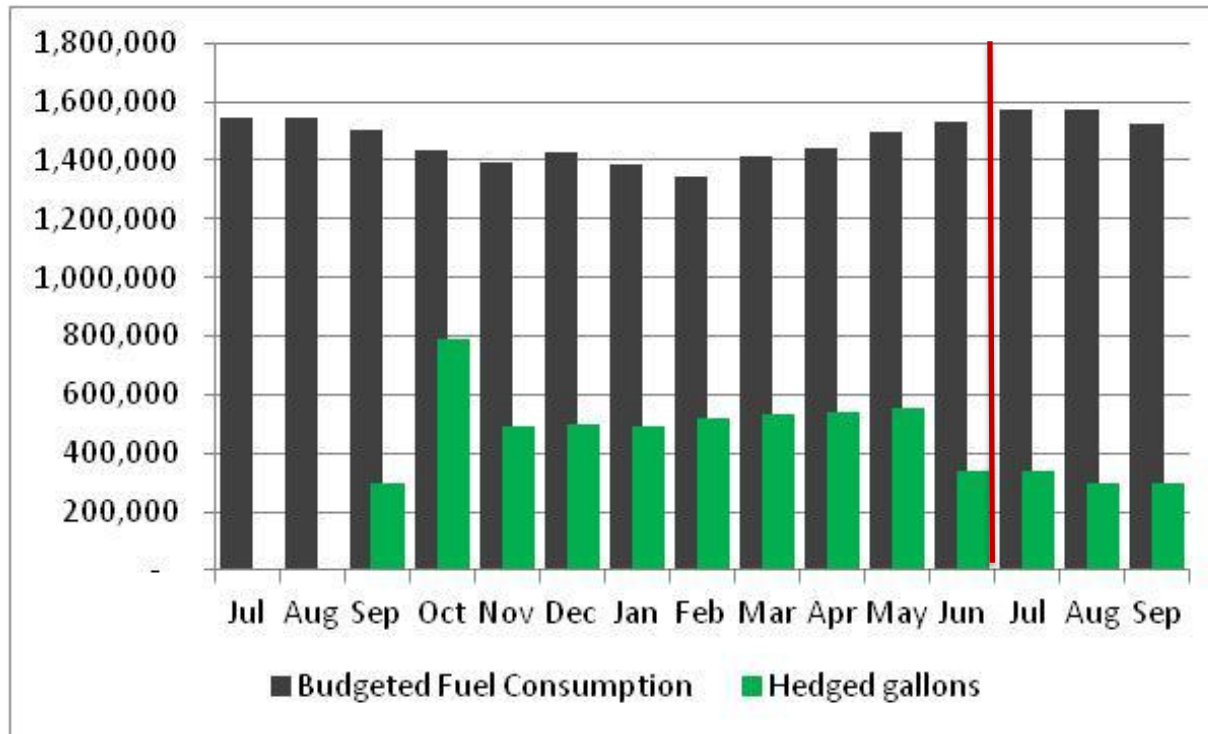
Fuel Prices



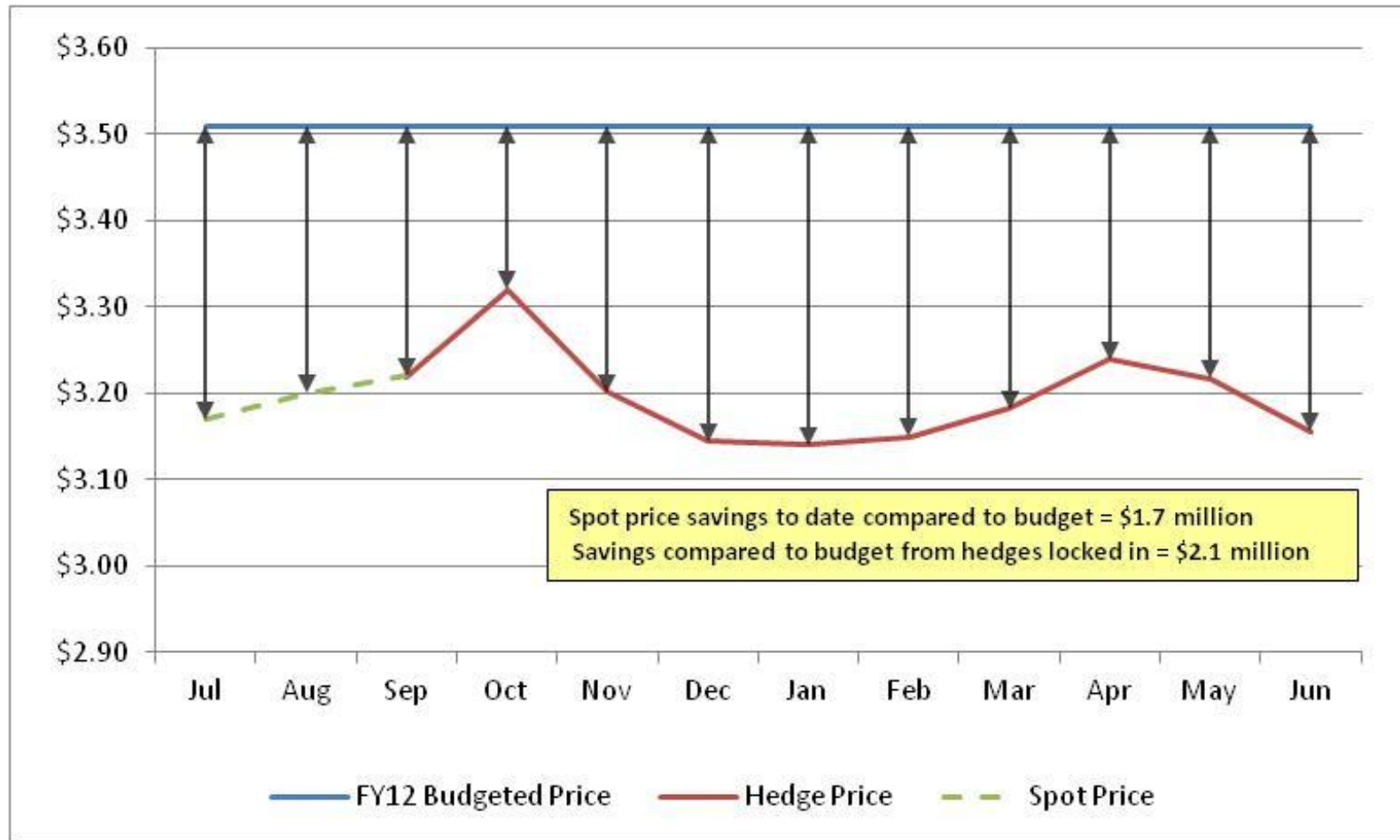
Hedged Gallons to Date

6,182,000 gallons – FY12

1,680,000 gallons – FY13



Hedge Prices and Spot Prices to Date



Hedging Results

- 6.2 million gallons for FY12
- 1.7 million gallons for FY13

	Gallons	Average Price per Gallon	Savings compared to FY12 Budget	Savings compared to FY13 Budget
Hedge 1	2,570,000	\$3.227	\$791,016	\$0
Hedge 2	1,428,000	\$3.228	\$332,104	\$137,955
Hedge 3	1,974,000	\$3.248	\$421,069	\$181,525
Hedge 4	1,890,000	\$3.090	\$545,892	\$375,829
Total	7,862,000		\$2,090,081	\$695,309

Implications for Fuel Surcharge

- FY12 difference from budget to date = \$3.8 million
- Remaining gallons, not hedged = 8.2 million
- As of October 1, the price of unhedged gallons would have to increase to \$5.75 for October through December for a surcharge to be imposed in February 2012.

Questions?

For more information on Ferries Fuel Hedging,
please contact:

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